

REPORT TO THE CITY COUNCIL BY THE CITY INTERNAL AUDITOR

ANNUAL REPORT ON OPERATIONS OF THE INTERNAL AUDIT OFFICE FOR FISCAL YEAR (FY) 2008

February 13, 2009



February 13, 2009

Councilman Ron Webb
Chairman, Shreveport City Council

Dear Councilman Webb:

Subject: Annual Report on Internal Audit Office Operations for Fiscal Year (FY) 2008

This report is to provide the members of the Audit & Finance Committee and other members of the City Council with information on the activities of the Internal Audit Office for year 2008. The attached information describes audits and other projects and activities completed or initiated during year 2008.

Please review the report. Should you have questions or comments, feel free to contact me.

Sincerely,

Leanis L. Graham, CPA, CIA
City Internal Auditor

c: Audit and Finance Committee
 City Council Members
 Clerk of Council

INTERNAL AUDIT OFFICE **ANNUAL REPORT**

TABLE OF CONTENTS

PAGE

INTRODUCTION	I
---------------------	----------

PART I: AUDIT ADMINISTRATION	I
-------------------------------------	----------

- A. AUDITS COMPLETED 2**
- B. AUDITS/PROJECTS IN PROCESS 3**
- C. ANALYSIS OF REPORTS ISSUED (1999 - 2008) ... 3**
- D. FOLLOW-UP ADMINISTRATION 4**
- E. OTHER PROJECTS 4**

PART II: NON-AUDIT ACTIVITIES	5
--------------------------------------	----------

- A. FRAUD HOTLINE PROCESSING 5**
- B. PROFESSIONAL DEVELOPMENT 6**

PART III: CONCLUSION	6
-----------------------------	----------

ANNUAL REPORT ON OPERATIONS OF THE INTERNAL AUDIT OFFICE FOR FISCAL YEAR (FY) 2008

INTRODUCTION

The mission of the Office of Internal Audit is to provide independent and objective reviews and assessments of the City's activities, operations, financial systems, and internal controls. We do this by providing the City Council with independent and objective reports regarding the work of city government.

The Office of Internal Audit seeks to accomplish this mission by assisting management in:

- carrying out continuous quality improvement of department operations and programs;
- promoting operational effectiveness and efficiency;
- ensuring that adequate safeguards exist over City assets;
- ensuring adherence to City policies and procedures; and,
- investigating fraud, waste, and abuse.

The Office of Internal Audit follows an annual audit plan that utilizes a combination of rotation and risk analysis to review critical areas of operations. To ensure the appropriate level of independence and objectivity, the City Internal Auditor reports to the Audit & Finance Sub-Committee of the City Council.

The Internal Audit Office FY 2008 Annual Report presents our service efforts and accomplishments. The Annual Report contains the following three parts:

- Part I: Audit Administration describes progress on audits performed by the Internal Audit Office.
- Part II: Non-Audit Activities provides information related to the Fraud Hotline, Special Projects, and Professional Development.
- Part III: Provides a brief conclusion highlighting a few of the future short and long-term projects currently under development.

PART I: AUDIT ADMINISTRATION

The work performed by the Internal Audit Office is guided by the annual audit plan. The plan outlines audit projects for the fiscal year. The following summarizes the current status (completed or in process) of each audit and project outlined in the plan, along with the budgeted versus actual hours.

ANNUAL REPORT – OPERATIONS OF THE INTERNAL AUDIT

February 13, 2009

Page 2

A. AUDITS COMPLETED

		<u>BUDGETED HOURS</u>	<u>ACTUAL HOURS</u>	<u>(OVER) UNDER</u>
IAR 040108-01:	Department of Shreveport Public Assembly and Recreation (SPAR), Recreation Division	410	969	(559)
SR 650008-02:	Special Report: SPAR, Athletics Division, Cargill Park	*	*	*
SR 600008-03:	Special Report: Department of Operational Services (DOS), Water and Sewerage, Customer Service Division	*	*	*
SR 600008-04:	Special Report (Summarized): Finance, Revenue Division, Cashiering, City Hall Annex, Physical Security Environment	*	*	*
SR 600008-05:	Special Report: DOS, Customer Service Division, Shreveport Water Assistance Program (SWAP)	*	*	*
IAR 080308-06:	Audit of DOS, Streets and Drainage Division	472	976	(504)
AA 2008-07:	Auditing Alert: Eligibility Review of Board Appointees	*	*	*
IAR 220408-08:	Audit of Eldorado Casino, Contract Years 2006-2007	100	127	(27)
IAR 220308-09:	Audit of Sam's Town Casino, Contract Years 2006-2007	100	130	(30)
IAR 220208-10:	Audit of Boomtown Casino, Contract Years 2006-2007	40	37	3
IAR 060108-11:	Audit of the Police Department, Administration Division, Technical Services Bureau	460	348	112
IAR 070208-12:	Audit of the Fire Department, Administration Division	480	227	253
SR 906008-13:	Special Report: Disclosure Statement Reporting for Board and Commission Members (2007)	*	*	*
SR 600008-14:	Special Report: Follow-Up on Mayor's Office, Discontinued Economic Development Section, City-Directed Funds	*	*	*
SR 600008-15:	Special Report: City's Car Allowance Program and Take-Home Vehicle Policy	*	*	*
IAR 220808-16:	Annual Follow-Up, External Audit Management Letter and Financial Statement Findings for the Year Ended December 31, 2007	200	42	158
IAR 200208-17:	Audit of the Downtown Development Authority	455	767	(312)
IAR 220108-18:	Audit of the Robinson Film Center Contract	420	1071	(651)

ANNUAL REPORT – OPERATIONS OF THE INTERNAL AUDIT

February 13, 2009

Page 3

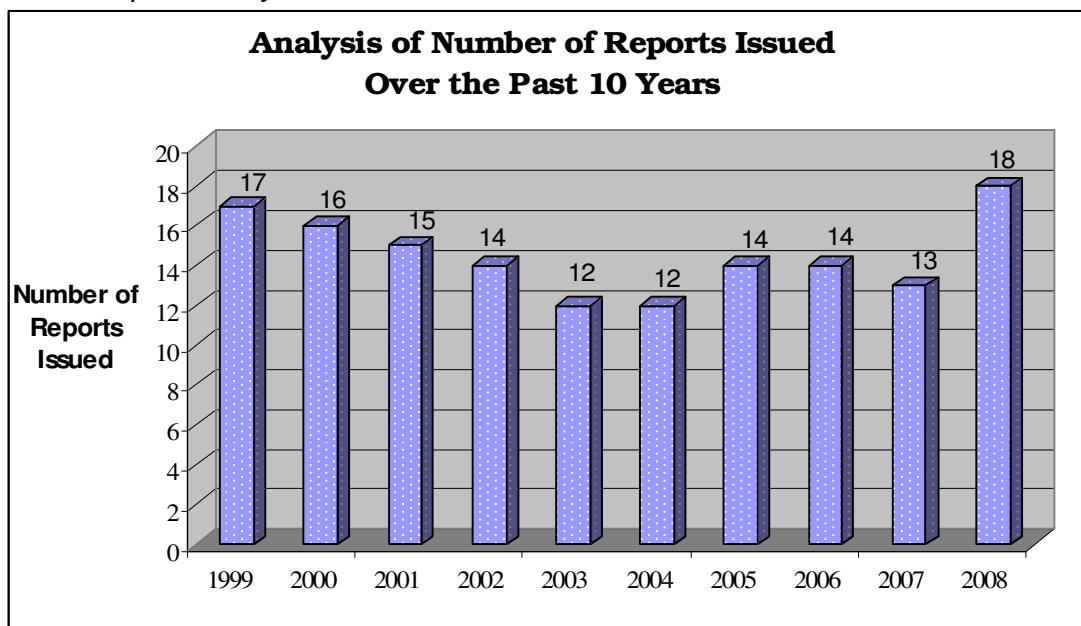
B. AUDITS/PROJECTS IN PROCESS

	<u>BUDGETED HOURS</u>	<u>ACTUAL HOURS</u>	<u>(OVER) UNDER</u>	<u>EST. % OF COMPLETION</u>
Annual Follow-Up (2008)	570	465	105	95%
DOS – Fleet Services Division	474	1092	(618)	95%
Fraud Hotline 08-008	*	24	*	75%
Shreve Memorial Library	550	2208	(1658)	60%
Shreveport Home Mortgage Authority	665	915	(250)	50%
Police Department – Communications Division	390	668	(278)	50%
DOS – Environmental Affairs	400	200	200	40%
Debt Service Fund	550	312	238	40%

* Miscellaneous Audit/Unscheduled projects/Fraud Hotline

C. ANALYSIS OF REPORTS ISSUED (1999 – 2008)

The Internal Audit Office utilizes the analysis of reports issued to monitor overall office performance. For 2008, the Internal Audit Office estimated that 23 projects would be completed for the year. Eighteen projects were completed in 2008 as shown in the chart below. The chart below also compares the number reports issued over the past ten years. For 2008, there was a 30% improvement in office productivity from the previous year.



ANNUAL REPORT – OPERATIONS OF THE INTERNAL AUDIT

February 13, 2009

Page 4

D. FOLLOW-UP ADMINISTRATION

A follow-up report was performed at 2008 year-end to determine the status of management's actions on outstanding recommendations made by the Internal Audit Office. This follow-up encompassed outstanding recommendations from 1991 - 2007. Management provided information on the current status of implementation for any outstanding recommendations.

The Internal Audit Office reviewed this information and conducted necessary procedures to determine that the information provided by management was complete, accurate, and reliable.

Results of our 2008 Annual Follow-Up review indicated that management had either completed or partially completed 85% of the recommendations made during the period December 31, 1991, through December 31, 2007. We believe that this implementation rate is indicative of management's concurrence with the recommendations, as well as, the effectiveness of the Internal Audit Office in accomplishing its mission as outlined in the City Charter, Section 4.25.

Among the recommendations made:

- 83% of the outstanding recommendations were determined to be complete because the action management had taken was sufficient to mitigate the control deficiencies.
- 2% of the outstanding recommendations were determined to be partially complete because the action management had taken was not sufficient to mitigate the control deficiencies.
- 1% of the outstanding recommendations were determined to have no progress because management had taken no action to mitigate the control deficiencies.
- 14% of the outstanding recommendations were determined to be no longer applicable or removed/archived due to the age of the recommendation or organizational, process, or procedural changes.

[Please refer to IAR 220709-01: 2008 Annual Audit Follow-Up for the detailed report on the outstanding audit recommendations.]

E. OTHER PROJECTS

The following summarizes special projects performed by the Internal Audit Office for 2008.

Various Miscellaneous Requests

At the request of the City Council, the Internal Audit Office completed the following miscellaneous requests: reviewed the travel expenses of the Office of the Mayor for 2007 and 2008 and issued

ANNUAL REPORT – OPERATIONS OF THE INTERNAL AUDIT

February 13, 2009

Page 5

a memorandum report on the results; analyzed and reported on the results of the Convention Center and Hilton Hotel operations for 2008; assisted the council in its oversight responsibility by reviewing and analyzing the 2009 budget submission by the Administration; reported on specified HOME fund loan amounts; prepared memorandum regarding City Council resolution history for financial advisor; reviewed bid process for vehicle exhaust system at Fire Maintenance facility; reviewed process of awarding RFP 07-817:Water System Infrastructure Improvements.

Disclosure Reporting Administration

Code of Ordinances Section 2-51 requires that any member of any board, commission or other body appointed by the Mayor and confirmed by the City Council, their immediate family members, and any legal entity in which they have a substantial economic interest must file an acknowledgement, and also, initial and annual disclosure statements with the City Internal Auditor if they derive any thing of economic value from a contract with the City of Shreveport. Throughout the year, the Internal Audit Office mailed the disclosure reporting form to newly appointed board members requesting that they complete the information as necessary. Our office issues an annual report on the results of this activity.

Updating Internal Audit Office Policies and Procedures Manual

The last complete update of office policies and procedures occurred approximately 13 years ago. Some work on this project was completed during 2008 and work on the updated manual will continue during 2009.

External Audit Assistance

The Internal Audit Office provided approximately 210 hours of assistance to the external auditors. Audit staff completed internal control questionnaires regarding city wide operations and activities to assist the external auditors in planning their audit.

PART II: NON-AUDIT ACTIVITIES

A. FRAUD HOTLINE PROCESSING

The Internal Audit Office maintains a fraud hotline to report allegations of fraud, waste, and abuse. Hotline allegations may be made by phone, email, or office visit. During the reporting period, eight allegations of possible fraud, waste, and abuse were reported on the **Fraud Hotline** and one remained pending from 2007. Work on eight allegations was completed. One allegation remains open.

[Please refer to the Fraud Hotline Activity Report for the Period January 1 through December 31, 2008 for the summary report on this activity.]

ANNUAL REPORT – OPERATIONS OF THE INTERNAL AUDIT

February 13, 2009

Page 6

B. PROFESSIONAL DEVELOPMENT

The current staff of the Internal Audit Office provides the City of Shreveport with experienced professionals who are knowledgeable in governmental operations. There are seven professional auditors and one administrative assistant. Professional degrees and certifications held by the staff include: eight Bachelors degrees, four Masters degrees, three Certified Internal Auditors (CIA), one Certified Public Accountant (CPA), three Certified Fraud Examiners (CFE), one Certified Information Systems Auditor (CISA), and three Certified Governmental Financial Managers (CGFM). Staff members acquire continuing training and education in order to ensure that they maintain proficiency and competency in the internal auditing field. Audit staff also maintain membership in several professional associations and serve as elected officers (President and Secretary/Treasurer) in the local Certified Fraud Examiners chapter. Current affiliations include the National Association of Local Government Auditors, Louisiana Society of Certified Public Accountants, Institute of Internal Auditors, Association of Certified Fraud Examiners, Government Finance Officers Association, and the Association of Government Accountants.

PART III: CONCLUSION

We hope this FY 2008 Annual Report has provided helpful information to those interested in gaining an understanding of the performance of the Internal Audit Office. During FY 2009, the Internal Audit Office will place emphasis on increasing audit coverage by improving in the number of audit reports issued and further utilizing automated audit tools to assist in audit analysis and testing, planning, and administration of audit work and special projects. Accomplishment of these goals should enable us to assist management in ensuring greater efficiency, effectiveness, and accountability over city operations.